

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF:

THE PETITION OF W.B. OSBORN OIL & GAS)
OPERATIONS, LTD, FOR AN ORDER FROM THE)
SUPERVISOR OF WELLS AUTHORIZING AN EXCEPTION) ORDER NO. 08-2014
TO THE SPACING PATTERN FOR WELLS SET BY)
R 324.301 FOR THE MCCALL 3-17 WELL LOCATED IN)
FORK TOWNSHIP, MECOSTA COUNTY, MICHIGAN.)

OPINION AND ORDER

This case involves the Petition of W.B. Osborn Oil & Gas Operations, LTD (Petitioner), to drill a well (the McCall 3-17 well) within a 40-acre drilling unit to test the stratigraphic interval known as the Dundee Formation. The Petitioner is requesting an exception to the spacing pattern set by R 324.301 for the proposed McCall 3-17 well. The proposed unit consists of the SW 1/4 of NE 1/4 of Section 17, T16N, R7W, Fork Township, Mecosta County, Michigan.

Jurisdiction

The development of oil and gas in this state is regulated under Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, MCL 324.61501 *et seq.* The purpose of Part 615 is to ensure the orderly development and production of the oil and gas resources of this state. MCL 324.61502. To that end, the Supervisor may establish a drilling unit for each pool. MCL 324.61513(2).

The evidentiary hearing is governed by the applicable provisions of the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 *et seq.* See 1996 MR 9, R 324.1203. The evidentiary hearing in this matter was held on May 16, 2014.

FINDINGS OF FACT

The Petitioner seeks an order of the Supervisor authorizing a well location for the proposed McCall 3-17 Dundee Formation well as an exception to the spacing pattern for wells set by R 324.301.

The Administrative Law Judge determined that the Notice of Hearing was properly served and published. No answers to the Petition were filed. Therefore, the Petitioner is the only Party to this case. The Supervisor designated the hearing to be an evidentiary hearing pursuant to R 324.1205(1)(c) and directed evidence be presented in the form of verified statements. In support of its case, the Petitioner offered the verified statement of Mr. P.K. Roberts, Petroleum Geologist and Exploration Manager for the Petitioner.

The spacing of wells targeting the Dundee Formation in Section 17 of Fork Township, Mecosta County, is governed by R 324.301. This rule establishes drilling units of 40 acres, more or less, and R 324.301(1)(b)(ii) provides, in part, that the bottomhole location of development wells be located in a pattern at the same relative position in each drilling unit as that of the discovery well, with the bottom hole location not more than 495 feet from the unit boundary. Prior wells drilled by the Petitioner have established that the location for the proposed well would be in the northwest ten acres of the drilling unit. The Petitioner's proposed well location is in the northeast 10 acres of the drilling unit, 350 feet from the north line and 362 feet from the east line of the proposed drilling unit boundary. The Petitioner has applied for a permit to drill the McCall 3-17 well.

Mr. Roberts' verified statement indicates a location 495 feet from the west unit boundary is downdip and not the optimum geological location. It was Mr. Roberts' opinion that the location exception would not result in any interference nor violate correlative rights of offsetting owners. The proposed well is 755 feet from the McCall 1-17 well and 695 feet from the proposed McCall 4-17 well.

The proposed location is approximately 10 feet higher on the mapped structure than a well in the northwest 10 acres, and Mr. Roberts testified that a well in the northwest 10 acres of the drilling unit would likely be uneconomic.

I find that the proposed well location exception to R 324.301 will prevent waste and protect correlative rights and, as such, is approved for the proposed well.

CONCLUSIONS OF LAW

Based on the Findings of Fact, I conclude, as a matter of law:

1. An exception to the well location established by R 324.301 is appropriate for the proposed well. Exceptions to R 324.301 may be granted by the Supervisor after a hearing.
2. The Supervisor has jurisdiction over the subject matter and the persons interested therein.
3. Due notice of the time, place, and purpose of the hearing was given as required by law and all interested persons were afforded an opportunity to be heard. 1996 MR 9, R 324.1204.

DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor determines that the proposed Dundee Formation well location exception will protect correlative rights and prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. A well location exception is granted for the drilling of the McCall 3-17 well, 350 feet from the north boundary and 362 feet from the east boundary of the drilling unit.
2. The Supervisor retains jurisdiction in this matter.
3. This Order shall be effective immediately.

DATED: June 9, 2014



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